



October 21, 2011

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Ex Parte Notice

In the Matter of Connect America Fund, WC Docket No. 10-90; A National Broadband Plan for Our Future, GN Docket No. 09-51; Establishing Just and Reasonable Rates for Local Exchange Carriers, WC Docket No. 07-135; High-Cost Universal Service Support, WC Docket No. 05-337; Developing a Unified Intercarrier Compensation Regime, CC Docket 01-92; Federal-State Joint Board on Universal Service, CC Docket No. 96-45; Lifeline and Link-Up, WC Docket No. 03-109

Dear Ms. Dortch:

On Friday, October 21, 2011, the undersigned on behalf of the National Telecommunications Cooperative Association spoke via telephone with Michael Steffen regarding matters in the above-referenced proceedings.

Our discussion addressed concerns with respect to the elimination of Safety Net Additive (“SNA”) support where such support is received as a result of line loss rather than investment. I explained why, consistent with the Commission’s commitment to “no flash cuts” in reform, there should be a reasonable phase-down of SNA support where such support is received as a result of line loss rather than investment.

During our discussion, I also noted the essential nature of a restructure mechanism (“RM”) as part of a rate-of-return cost recovery mechanism. Shortfalls in the recovery of interstate or intrastate switched access costs will lead to: (1) higher rates for consumers (where such rates can be raised) in violation of the “reasonable comparability” standard under Section 254 of the Communications Act of 1934, as amended; (2) carriers retrenching on service in their highest cost areas; and/or (3) carriers refusing to invest in newer, more efficient switching technologies (such as softswitches) for fear that such costs will be unrecoverable.

I also explained that a RM that retains rate-of-return regulation specifically for the interstate component of the RM (including Local Switching Support) and the interstate switched access revenue requirement should pose little, if any, risk of raising “budgetary” concerns since: (a) the switched access revenue requirement has been declining for years; and (b) “locking in” a specific reduction of the intrastate component of the RM would only have the effect of increasing incentives

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for efficiency and cost controls with respect to switching costs. I noted that carriers cannot “self-select” the allocation of their switch to the interstate and intrastate jurisdictions under Part 36, and that as such, the incentives provided by specifying the intrastate component of the RM should have a positive effect on the efficient management of switching costs overall. **I therefore asked that the Federal Communications Commission (the “Commission”) adopt a fully compensatory RM, such as that set forth in the RLEC Plan and Consensus Framework. In particular, the Commission should ensure that the RM will maintain the core principles of rate-of-return regulation in the interstate jurisdiction and encourage responsible investment in upgraded switching equipment in RLEC areas.**

Pursuant to Section 1.1206 of the Commission’s rules, a copy of this letter is being filed via ECFS with your office. If you have any questions, please do not hesitate to contact me at (703) 351-2016 or mromano@ntca.org.

Sincerely,

/s/ Michael R. Romano

Michael R. Romano

Senior Vice President - Policy

cc: Michael Steffen